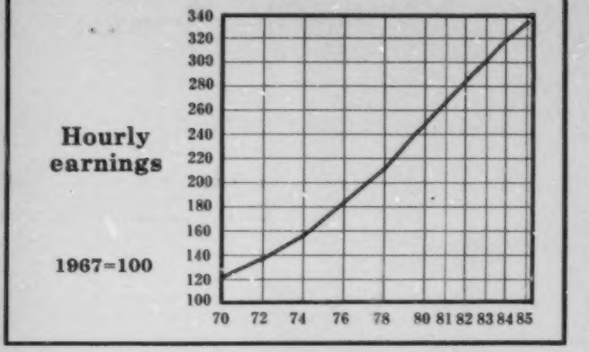
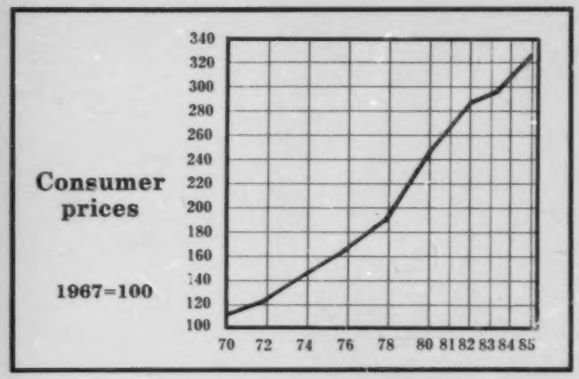
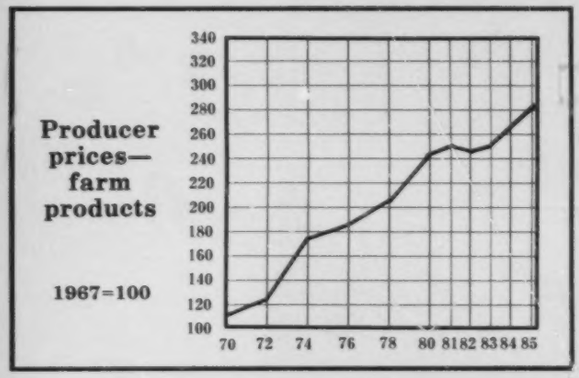
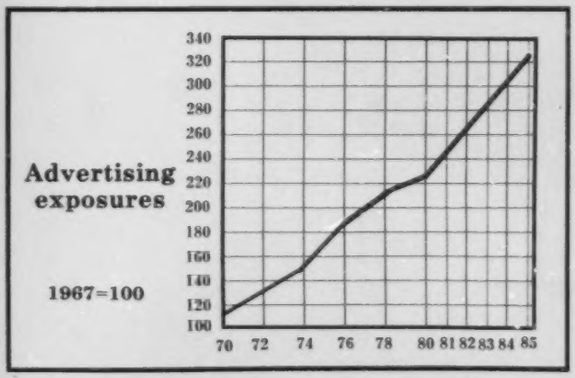
Cost indexes

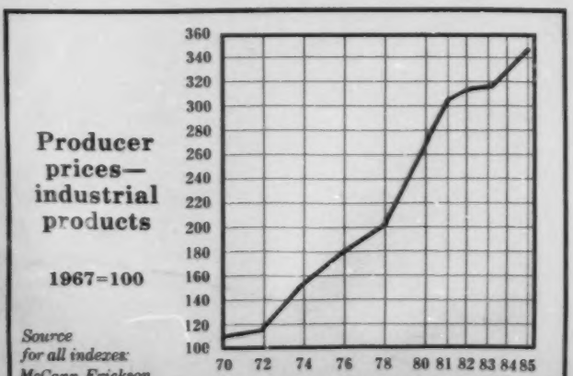
(1985 is an estimate on all indexes)











Source for all indexes: McCann-Erickson

Increases to moderate

(Continued from Page 11)

the buyer demand.

Advertisers of beer, apparel, utilities, amusements, office equipment and financial services increased their share of network buying from 9% in 1973 to 23% in 1983.

The networks' total ad revenues in 1984 have been excellent. Total 1984 ad expenditures on the networks should rise by more than 16% over 1983. Most of this increase comes from higher prices. The number of network commercials sold will be only about 1% more than 1983, so the average cost of all network commercials will be about 15% higher than in 1983. After discounting for the extraordinary increases for the Olympic spots, the other commercials in 1984 cost 12% more than in 1983.

In 1985, the networks will continue to enjoy some of the benefits of their "sellers" market situation, but they also will confront the fact that the large cumulative rise in prices recently may eliminate buyers that no longer can afford network tv. In 1985, consumer prices are expected to rise about 5%, but network tv unit prices most likely will continue to rise at a somewhat faster pace—about 8%.

Spot tv

In 1984, the Olympics, the elections, the spillover or shift from the networks and the improvement in local retail advertising activity helped keep spot demand strong in most markets. Spot rates did not go up as fast as network rates, but a rise of 10% was higher than other media. In 1985, we expect spot prices to moderate and rise about 6%, or just a little more than consumer prices.

Radio

The radio medium is subject to about the same pressures as tv except local market conditions have more weight in determining demand.

In 1984, demand was strong and the indications are that network radio prices rose about 9% and spot 8%. In 1985, we expect to reach a plateau in demand, but we expect network radio prices to move upward 8% and spot 6%.

Newspaper

The newspaper medium is similar to tv because in most markets there is only one major "seller" of newspaper ad space. The newspaper has a monopoly and because space is limited, rates usually rise faster than other prices in our economy, even when newsprint prices fall.

In 1984, newspapers raised their rates in most markets about 9%. Even though the rate of increase will moderate slightly in 1985, we still expect price increases of 8%.

Magazines

Magazines are, in principle, no different from any other medium in their desire to maximize the rates they charge for the space in their perishable issues. The main difference between magazines and other media relates to the supply side of the relationship.

The supply of choices available as advertising options is much greater in the case of magazines than in any other medium, causing magazine rates to move up slower than other media rates. It also explains why the readers of magazines contribute (through subscriptions) much more to total publication revenues than they do in the other media.

Nevertheless, when magazine ad demand quickened in 1984, rates went up about 8% and, although moderation is expected in 1985, it still will cost about 7% more to buy magazine ad pages.

Outdoor

The outdoor media is another classic example of the supply and demand model. In the '50s and '60s, the medium lost many traditional outdoor advertisers to tv, and highway beautification pressures trimmed the supply even further.

By the end of the '60s, the supply of outdoor space had declined to a bare minimum. Then demand jumped sharply when tobacco products left the broadcast media and began to sign up for an increasing number of outdoor boards. For the past 15 years, new cigaret brands helped to swell the demand, while a proliferating number of beer, wine and liquor brands also bid for the space.

The number of locations and the quality of the locations increased slightly, but plant operators maintained a balance that kept outdoor as a sellers' market for years.

For more than a decade, the outdoor medium has obtained double-digit annual increases. In 1984, liquor and cigaret demand cooled, and the price increases for this medium finally are showing signs of moderation. This year, the increases averaged about 8%, and next year we expect price increases to

Average annual price increases

Prices	1981	1982	1983	1984	1985*
Consumer prices	+10.4%	+ 6.1%	+3.2%	+ 4.3%	+5.2%
GNP deflator	+ 9.6	+ 6.0	+3.8	+ 3.8	+4.9
Media cpms					
Network tv	9.7%	+11.9%	+9.0%	+11.0%	+8.0%
Spot tv	+10.9	+11.2	+8.0	+ 8.6	+6.0
Magazines	+ 8.7	+ 9.0	+8.0	+ 8.1	+6.0
Newspapers	+11.9	+ 9.6	+9.0	+ 8.0	+8.0

Source: McCann-Erickson
*Estimated

Media unit* cost trends (1967 = 100)

	1981	1982	1983	1984	1985**
Newspapers	279	308	336	366	395
Magazines	201	219	237	256	274
Network tv	329	365	394	441	476
Spot tv	286	317	342	376	399
Network radio	244	268	300	327	353
Spot radio	215	232	248	268	284
Outdoor	303	330	363	392	416
Direct mail	263	286	290	299	319
Composite	270	297	318	344	369

Source: McCann-Erickson
*A unit in the various media listed include a single black-and-white page for newspapers, a four-color ad for magazines, 30-second spots for network and spot tv, one-minute spots for network and spot radio, a 100 showing in outdoor (100 GRPs, which is the reach and frequency of x-amount of boards per day), and 25,000 pieces of direct mail.
**Estimated

Media cpm trends (1967 = 100)

	1981	1982	1983	1984	1985*
Newspapers	263	288	314	339	366
Magazines	188	205	221	239	254
Network tv	261	292	318	353	381
Spot tv	223	248	268	291	309
Network radio	202	220	244	264	282
Spot radio	182	195	207	221	233
Outdoor	242	262	286	306	322
Direct mail	263	286	290	299	319
Composite	244	267	286	307	329

Source: McCann-Erickson
*Estimated

NOTE: McCann-Erickson's annual advertising expenditure reports are a main source for the media price indexes. This year, McCann-Erickson has adjusted the direct mail index so one-quarter of the weight is based on the postage cost of third-class bulk mail. Three-quarters is based on the general inflation increases affecting the costs for lists, handling and production.

Network tv commercial sales and prices (Primetime 1983 vs. 1973)

	1983	1973	% Change
Hourly ad minutes of programming	6:59	6:06	+ 14.7%
Commercial minutes sold	23,980	20,436	+ 17.3
Revenue received	$3,668,877,000	$1,125,130,000	+226.0
Cost per minute	$153,000	$55,060	+177.9
Cost per "thirty"	$ 76,500	$27,530	+177.9
Homes reached	12,660,000	12,000,000	+ 5.5
Adults reached	17,220,000	18,080,000	− 4.8
Consumer Price Index	298	133	+124

Source: BAR, Nielsen, Department of Commerce

moderate even more.

In markets with unsold locations, prices may not change much at all next year, but in most markets the prices should be about 6% higher than they are this year.

Direct mail

In recent years, the volume of ad messages distributed through the mail has soared.

Two years ago, the U.S. Postal Service introduced special discounts for mail presorted by carrier routes.

That helped reduce the unit cost of mail advertising.

In 1984, the expansion in unit volume continued and postage cost per piece has been flat, but costs for mail lists, paper, production and handling are higher than they were in 1983.

Despite these other rising expenses, the mail advertiser had a very modest cost increase for each piece in 1984 of only about 3%.

In 1985, the Postal Service will raise postage prices significantly. For the year, the postage portion of mail costs will rise about 12%.

The balance of mailing costs and the other costs are expected to be more in line with the general U.S. inflation rate. The combined cost per unit of mail advertising is expected to rise about 7% in 1985.

This will be the first time in more than three years that the cost of mail advertising has risen faster than most prices in the economy.

Summary

Media time and space are perishable, so prices are influenced by shifts in supply and demand. General inflation correlates with media price change because it influences all business expenses, but if ad availabilities of a medium are limited and demand is high, the ad rates will go up much faster than the general inflation rate.

Good examples of this are the tv networks and the *Wall Street Journal*. These media are convinced that they are indispensable to a large number of advertisers. Many advertisers would agree. As a result, their ad rates have risen much faster than most prices.

Advertisers also help to bid up the price of such media if they think their use will help in the competition for market share. But if they disagree, then the tables are reversed, regardless of the general inflation trends.

In 1984, a coincidence of favorable developments led to extraordinary advertising demand, while the short-term supply of media units remained virtually unchanged.

As a result, the price of most media rose much more rapidly than other prices.

Next year, despite slackened demands, we still expect ad needs to expand more rapidly than the economy.

Ad rate increases will show some moderation, but prices for most media are likely to rise more than other costs of doing business.

Media prices are determined in a free and uncontrolled marketplace, and in 1985 the market will be a little less ebullient than it was this year.

Panel qualifies rosy forecast

By Herbert Zeltner

The coming year shapes up as extraordinarily bullish for the world of consumer media, but it is one in which unqualified euphoria is far from the norm, according to a survey of seven leading media directors at ad agencies across the country.

Client demands and agency efforts seem to be more intense than ever in finding better bargains, improving efficiencies, honing in on precise targets and searching for ways to prove effective advertising delivery, rather than relying on raw tonnage, the panelists say.

The experts see budgets for new products as very promising. They prove more grudgingly optimistic toward media budgets for established brands.

They peg budget increases for existing products at about 10%, which puts projections near maintenance level because the cost of media is expected to rise near those levels. On the flip side, potentially explosive growth is in the cards for new product and expansion activity, promising major increases in over-all billings.

Media mavens will continue to be fascinated, and only fascinated, with the emerging, sometimes exotic availabilities on the tv horizon, including cable and its interactive forms.

They will continue to keep a wary eye on the audience encroachment by videocassette recorders, but their interest will chase the increasing versatility of network and local tv through tie-ins that give the colossal audience media greater segmentation capabilities. One panelist calls this the "demassification" of tv.

There is more widespread interest than ever in using radio as a tonnage medium to extend audience reach—achieved, for example, by pulling some tv expenditures out of that medium and inserting them in radio to boost over-all weight—but panelists express nagging anxieties about the need to maintain costs at reasonable levels and the demand for greater accuracy in measuring smaller audiences.

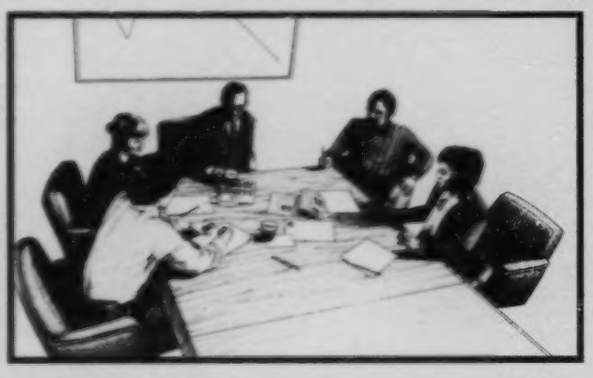
Major consumer magazines are more vital and healthy than ever, but growing concerns over the pressure to negotiate rates may weaken and even kill several marginal titles, panel members say.

There is a renewed appreciation of the tried-and-true audience delivery values of traditional media forms such as newspapers and outdoor, but the industry continues to seek nontraditional, innovative approaches for applications of direct marketing, sponsorship of special events and use of blockbuster units in print and broadcast.

These media executives are involved in over-all spending and media strategy decisions across the full spectrum of consumer and industrial ad activity—durables, package goods, high technology and services—in agencies with current media billings in excess of $4.5 billion.

Their comments follow in a succession of stories.

Potentially explosive growth is in the cards for new product activity, promising increases in over-all billings.



Herbert Zeltner, in addition to being editor of the Advertising Age Sounding Board, is a New York-based independent marketing consultant to advertisers, ad agencies and media companies.

Budgets: New products to spur spending

The Advertising Age panel is upbeat yet restrained about media budget levels for ongoing brands in 1985, but there is no guarded forecasting for budgets for new brands.

Panelists footnote their outlook for ongoing brands by crediting their clients as being "reasonably optimistic." The general pattern for ongoing product spending shows media dollars increasing between 10% and 12% for the coming year.

For the most part, this increase is explained as "just trying to keep up with media inflation" where general cost increases across both broadcast and print are anticipated to be between 8% and 11%.

But this increase in established brand spending is far from routine. "Approval of budgets is not automatic," Herb Gordon of Ketchum says. "Clients are questioning; extensive rationale is needed."

Alec Gerster of Grey explains it as "not a flood of money coming in over the transom."

Paul Benjou of Leber Katz says that during 1985, media plans will take on a new dimension for both clients and agencies. He expects these plans to "become more performance and goal oriented with a serious eye toward accountability."

Others point to harder questioning than ever by clients who want support for media dollar recommendations to justify the sometimes significantly larger sums being recommended.

Ken Caffrey of Ogilvy & Mather emphasizes the intensity of the squeeze involved, saying budgets for many large package goods brands are "relatively flat" and, with expected rate increases, this puts the spotlight on finding ways to minimize losses in advertising weight.

Plenty of aggressive action, however, is expected on the new product and rollout front. One media director termed spending plans in this arena as "nothing short of explosive."

Another indicated two clients, viewed as "sleeping giants," will be moving out smartly in 1985 with expenditures 20% to 50% greater than their corporate ad dollar totals in 1984.

Among reasons for the expected extraordinary increases behind new product introductions and expansion programs are the enormous amount of development and testing over the past several rebuilding years.

There is a widespread belief among major marketers that large sums of dollars should be committed soon, "while funds are still available," in a strenuous attempt to safeguard and enlarge company franchises in the marketplace.

For instance, two media directors say their clients' strategy seems to be one of moving fast in 1985 to beat "the next downturn" in the economy, now being anticipated for 1986.

In regard to strategy approaches, media plans will become more complex and detailed next year. Don Stork of Advanswers terms it a need to "cross over all media lines" to adjust programs to follow changing audience patterns. He says the old traditional formats are breaking down more rapidly now and instead of attempting to dominate a medium, an advertiser is trying to dominate competition.

Peter Triolo of William Esty sees a "need for different scenarios"—a requirement to look at many more alternatives than before—yet with disciplined thinking supported by a solid base of facts and statistics.

Still another aspect of 1985 media planning continues to be a trend spotted over the past years—Mr. Triolo terms it "staying loose," or maintaining a high degree of fluidity in plans to meet changing developments in the marketplace and to provide companies the opportunity to adjust budgets as financial requirements dictate.

A result of all of these evolving forces are media programs that continue a pattern seen a year ago—more fine tooling and use of more selective media. The evolution is rolling out quickly toward making national media planning sensitive to geographic and demographic precision needs.

Officers offering outlook

The media officers participating in the Advertising Age panel on media outlook are:

- Paul Benjou, senior vp-media director, Leber Katz Partners, New York.
- Kenneth Caffrey, senior vp-executive director of media operations, Ogilvy & Mather, New York.
- Alec Gerster, senior vp-director of media and programing, Grey Advertising, New York.
- Herbert D. Gordon, senior vp-media services, Ketchum Advertising/USA, Pittsburgh.
- Raymond A. McArdle, senior vp-media director, D'Arcy MacManus Masius, New York.
- Don Stork, president, Advanswers Media/Programing, St. Louis (joined by John Marlow, senior vp-marketing).
- Peter Triolo, senior vp-media director, William Esty Co., New York.

Ad-supported media grow more robust

Consumer magazine publishing 1979-1983 segment operating data

($000,000)	1979	1980	1981	1982	1983
Revenues	$1,715.9	1,868.8	2,071.6	2,174.7	2,395.3
Pretax operating income	159.1	154.7	198.5	215.3	212.7
Assets	482.9	520.6	555.6	537.4	556.6
Pro-forma operating cash flow	173.5	172.0	218.8	239.2	237.0

Source: VS&A

Consumer magazine publishing 1979-83 growth and performance measures

Segment rank in communications industry in ( )

	12 company segments in sector			
Growth/performance measure	Revenues	Pretax operating income	Assets	Pro-forma operating cash flow
1979-83 compound annual growth	8.7% (8)	7.5% (7)	3.6% (8)	8.1% (7)
1983 growth	10.1% (7)	−1.2% (9)	3.6% (10)	−0.9% (9)
1983 operating margins		8.9% (9)		9.9% (9)
1983 margin index (1979=100)		96 (5)		98 (5)
1983 return on assets		38.9% (1)		43.3% (2)
1983 asset turnover			4.38 (1)	

Source: VS&A

Cable and pay television 1979-1983 segment operating data

($000,000)	1979	1980	1981	1982	1983
Revenues	$ 777.1	1,137.3	1,747.4	2,632.0	3,447.7
Pretax operating income	187.2	221.1	315.6	477.8	626.5
Assets	1,546.1	2,502.3	4,011.2	5,846.7	6,935.9
Pro-forma operating cash flow	296.1	378.0	551.4	847.8	1,121.9

Source: VS&A

Cable and pay television 1979-83 growth and performance measures

Segment rank in communications industry in ( )

	37 company segments in sector			
Growth/performance measure	Revenues	Pretax operating income	Assets	Pro-forma operating cash flow
1979-83 compound annual growth	45.1% (1)	35.3% (1)	45.5% (1)	39.5% (1)
1983 growth	31.0% (1)	31.1% (3)	18.6% (2)	32.3% (2)
1983 operating margins		18.2% (2)		32.5% (1)
1983 margin index (1979=100)		75 (9)		85 (8)
1983 return on assets		9.8% (9)		17.6% (7)
1983 asset turnover			0.54 (10)	

Source: VS&A

By John S. Suhler and David C. Lamb

The communications industry is a large and vital sector of U.S. and Canadian business and is becoming increasingly so. These communications companies represented more than $50 billion in revenues in 1983.

Five segments of the communications industry that are either entirely or partially advertising supported accounted for more than half of the communications industry revenues last year. They accumulated an even greater percentage of industry pretax income.

The five ad-supported segments—radio and tv broadcasting, cable and pay tv, business magazine publishing, consumer magazine publishing and newspaper publishing—consistently have outperformed the communications industry as a whole in both growth and performance.

While the communications industry increased revenues at a compounded annual rate of 12.9% over the past five years, the ad-supported sector managed 14.0% annual growth. The contrast is starker if ad-supported media are compared with a composite of the five other communications segments—business information services, book publishing, entertainment programing and distribution, recorded music and miscellaneous—which had a compounded annual revenue growth rate of 10.3% over the five years.

In pretax income growth, the communications industry as a whole and its ad-supported sector performed more closely. For both, pretax income growth has accelerated every year since 1979.

But, the ad-dependent subset outpaced the industry in pretax operating income compounded annual growth, 12.6% vs. 11.6%. The subset not supported by advertising experienced income growth of 9.7%.

Individually, the ad-supported segments generally perform well in comparison with other segments of the communications industry, frequently appearing among the top of the industry's 10 segments on the basis of several standard performance measures.

Four of the five did so, for example, in terms of 1983 return on assets—both pretax income and cash flow—as well as on the basis of 1983 pretax and cash flow operating margins. Three of the five appeared in the top half of the industry when 1983 margins are compared with those in 1979.

The charts and discussion that follow detail the growth and performance of each of the five ad-supported segments over the past five years. Taken as a whole, the performance of these sectors is upbeat, particularly when the effects of the recession are factored in. The segments' performance over that difficult period was admirable and the rebounds that some segments—notably newspapers—experienced in 1983 were encouraging.

The accompanying charts are totals for 250 company segments reported in the VS&A study of publicly-held companies. VS&A reports a company's communications segment, such as consumer magazines, under the VS&A communications category of the same name when the company's consumer magazine revenues are 60% or more of total revenues generated in the corporate segment in which it is placed. Many companies group their communications lines in segments whose over-all revenues may dwarf those of the communications lines. In these cases, where revenues are know, VS&A places them in a "miscellaneous" category.

Radio and tv: Cash cows

Radio and tv broadcasting stations are known as strong generators of cash. Their performance shows the reputation is well earned.

In 1983, radio and tv companies recorded a 12.8% annual revenue growth, which not only equaled their 1982 growth rate but bettered their five-year compounded annual growth rate of 12.3%.

The companies' operating income increased 14.4% in 1983--nearly double 1982's 7.4% annual gain and the five-year compounded annual rate of 7.7%. Annual cash flow growth of 12.3% compounded was also strong.

The operating income margins have remained very stable—about 18%—over the five-year period, after a three percentage point drop in 1980.

The segment also performed well in return on assets in 1983, with an operating income return of 23.1% and cash flow return of 26.2%.

In 1983 pretax operating income margins, Times Mirror, Capital Cities and A.H. Belo led

(Continued on Page 26)

John S. Suhler is president of Veronis, Suhler & Associates, a New York investment banking company specializing in mergers and acquisitions in the communications industry. Since 1983, VS&A has represented clients in 22 investment banking transactions totaling more than $320 million. David C. Lamb is an associate in the company and editor of the VS&A "Communications Industry Report," from which the following material was extracted.

Ad-supported media lead communications industry

VS&A sector	Yearly totals 1979	1980	1981	1982	1983	Annual growth (%) 1980	1981	1982	1983	1979-83 compound annual growth (%)
	($000,000)					(%)				(%)
Revenues										
Communications industry totals	$31,371.8	36,298.2	40,544.9	45,268.7	50,916.3	15.7	11.7	11.7	12.5	12.9
VS&A ad supported sector totals*	17,468.3	20,237.8	23,399.3	26,480.1	30,110.6	15.9	15.6	12.8	14.1	14.6
Non-ad supported sector totals	13,903.5	16,060.4	17,145.6	18,868.6	20,805.7	15.4	6.8	10.0	10.3	10.6
Ad supported sector totals w/o agencies	16,080.9	18,550.1	21,530.3	24,220.1	27,603.6	15.4	16.1	12.5	14.0	14.5
Pretax operating income										
Communications industry totals	4,916.0	5,087.0	5,639.7	6,315.2	7,614.1	3.5	10.9	12.0	20.6	11.6
VS&A ad supported sector totals*	3,060.4	3,196.7	3,700.1	4,026.6	4,922.8	4.5	15.7	8.8	22.3	12.6
Non-ad supported sector totals	1,855.6	1,890.3	1,939.6	2,288.6	2,691.3	1.9	2.6	18.0	17.6	9.7
Ad supported sector totals w/o agencies	2,871.9	2,989.6	3,498.0	3,898.7	4,681.3	4.1	17.0	11.7	22.4	12.8
Assets										
Communications industry totals	23,255.6	27,710.9	33,515.6	39,213.7	44,585.8	19.2	20.9	17.0	13.7	17.7
VS&A ad supported sector totals*	13,045.7	15,950.0	19,317.4	23,310.5	26,694.9	22.3	21.1	20.7	14.5	19.6
Non-ad supported sector totals	10,209.9	11,760.9	14,198.2	15,903.2	17,890.9	15.2	20.7	12.0	12.5	15.1
Ad supported sector totals w/o agencies	11,338.9	13,998.1	17,126.1	20,453.3	23,442.3	23.5	22.3	20.6	14.6	20.2
Operating cash flow										
Communications industry totals	5,632.2	5,992.4	6,760.6	7,840.8	9,467.7	6.4	12.8	16.0	20.7	13.9
VS&A ad supported sector totals*	3,504.9	3,761.3	4,421.9	4,979.2	6,090.9	7.3	17.6	12.6	22.3	14.8
Non-ad supported sector totals	2,127.3	2,231.1	2,338.7	2,861.6	3,376.8	4.9	4.8	22.4	18.0	12.2
Ad supported sector totals w/o agencies	3,291.3	3,522.3	4,182.6	4,785.3	5,763.4	7.0	18.7	12.5	22.5	15.0

The Communications Industry in this chart is comprised of 250 segments of companies, 141 of which are ad supported and 109, non-ad supported. For a company segment to be included in the industry totals, it must be either public or comply with many of the disclosure requirements of public companies. Revenues also must exceed $1 million.

Pretax operating income margins (%) 1979	1980	1981	1982	1983	1983 margin index (1979=100)
15.7	14.0	13.9	14.0	15.0	95
17.5	15.8	15.8	15.3	16.3	93
13.3	11.8	11.3	12.1	12.9	97
17.9	16.1	16.2	15.7	16.9	94

1983 pretax operating income return on assets (%)	1983 asset turnover (times/year)
18.2	1.22
19.7	1.50
15.9	1.23
21.0	1.25

Pro-forma operating cash flow margins (%) 1979	1980	1981	1982	1983	1983 margin index (1979=100)	1983 operating cash flow return on assets (%)
18.0	16.5	16.7	17.3	18.6	104	22.6
20.1	18.6	18.9	18.9	20.2	101	24.4
15.3	13.9	13.6	15.2	16.2	106	20.0
20.5	19.0	19.4	19.4	20.9	102	26.0

Source: Veronis, Suhler & Associates, New York

*Figures include those of 13 advertising agencies

Robust

(Continued from Page 22)
the radio and tv segments of 59 companies comprising the VS&A radio and tv sector with 53.2%, 52% and 39.1%, respectively. Viacom's five-year compounded annual pretax operating income was heads above all others at 135.3%.

Cable and pay tv: Still superstars

Though profit margins have eroded from their startup days, cable and pay tv companies have performed superlatively compared with other communications industry segments.

No segment grew at a faster compounded annual rate from 1979 through 1983. In revenues, pretax operating income, assets, operating cash flow and 1983 operating cash flow margins, the cable and pay tv segment was No. 1. And its operating income margins in 1983 were the industry's second best.

The only two areas in which cable trails the communications industry are in 1983 return on assets and comparisons of 1983 margins with those of 1979. The relatively low return on assets is attributable to cable's high asset base. The relatively low margin performance stems from cable's rapid expansion.

Cable and pay tv companies posted 45.1% compounded annual revenue growth and 35.3% pretax operating income growth over the five-year period ended in 1983. While pretax profit margins dropped significantly in 1980, they have reached a plateau and are holding steady at about 18%.

The segment exhibits high cash flow strength. Its 1983 cash flow margins were 32.5%; over the five years, they grew at a compounded annual rate of 39.5%. Cash flow return on assets was 17.6%.

In 1983, cable and pay tv companies' revenues grew 31% over the previous year. While the segment recorded the slowest pace in the five-year period, it still is one area that companies operating in other non-ad-supported segments of the communications industry would like to acquire.

In 1983 pretax operating income margins, United Cable Television Corp., TCA Cable TV and Rogers Cablesystems led the cable and tv segments of 37 companies comprising the VS&A cable and pay tv sector with 37.6%, 36.5% and 34.5%, respectively.

Newspaper publishing: An undertold story

Despite publicity given to closings, newspaper publishing is alive and surprisingly healthy.

Newspaper publishing has the third highest operating income and cash flow margins in the industry—18.1% and 21.3%, respectively. And it showed the third best improvement in its 1983 margins over 1979 levels.

Among the ad-supported segments, newspaper publishing ranked second in five-year compounded pretax operating income (14.8%), behind cable and pay tv companies (35.3%). Annual income growth in 1983 of 32.5% paced the ad-supported segments, and its profit margins—both pretax and cash flow—in 1983, compared with those in 1979, showed the greatest growth.

In 1983 return on assets (a measure of pretax operating income and assets), newspaper publishing ranked fourth in the industry and third among the five ad-supported segments, slightly better than its asset turnover would suggest.

In 1983 pretax operating income margins, Thomson Newspapers, Gray Communications and Lee Enterprises led the newspaper segments of 27 companies comprising the VS&A newspaper sector with 33.4%, 30% and 24.9%, respectively. Quebecor and the New York Times Co. were 10 percentage points ahead of the rest in five-year compounded annual pretax operating income with 37.9% and 37.0%, respectively.

Business magazines: Dependably profitable

Business magazine publishers can be counted on to chalk up relatively high profit margins every year, based on results for the past five years.

This communications industry segment ranks fourth in both five-year compounded growth and 1983 annual growth of its operating income. It was also one of the four industry segments to show improved margins for 1983 over 1979.

Another measure of this segment's strength is its small asset base compared with the size of its revenues. In the industry, only consumer magazine publishers operate with a smaller relative asset base.

Business magazine publishers, although experiencing only 8.8% compounded annual revenue growth from 1979-83, achieved 10.2% compounded annual income growth and a 5% compounded annual increase in profit margins over five years.

The publishers' pretax operating margins for 1983 reached 13.9%, a five-year high and up from 11.9% the previous year. Meanwhile, 1983 pretax operating income return on assets stood at 30.8%, and 1983 assets turned over an unusually rapid 2.22 times.

(Continued on Page 30)

Radio & television broadcasting 1979-1983 segment operating data

($000,000)	1979	1980	1981	1982	1983
Revenues	$6,759.1	7,579.7	8,447.6	9,529.4	10,747.6
Pretax operating income	1,388.7	1,351.3	1,519.4	1,632.2	1,866.9
Assets	4,914.1	5,500.9	6,331.9	7,455.3	8,726.7
Pro-forma operating cash flow	1,520.3	1,506.8	1,702.8	1,852.6	2,123.6

Radio & television broadcasting 1979-83 growth and performance measures

Segment rank in communications industry in ( )

	59 company segments in sector			
Growth/performance measure	Revenues	Pretax operating income	Assets	Pro-forma operating cash flow
1979-83 compound annual growth	12.3% (5)	7.7% (6)	15.4% (5)	8.7% (6)
1983 growth	12.8% (4)	14.4% (7)	17.1% (3)	14.6% (7)
1983 operating margins		17.4% (4)		19.8% (4)
1983 margin index (1979=100)		85 (7)		88 (7)
1983 return on assets		23.1% (5)		26.2% (5)
1983 asset turnover			1.33 (7)	

Business magazine publishing 1979-1983 segment operating data

($000,000)	1979	1980	1981	1982	1983
Revenues	$773.2	871.9	1,002.8	1,014.8	1,084.4
Pretax operating income	102.1	109.1	116.4	120.4	150.5
Assets	390.1	420.3	462.2	478.8	498.8
Pro-forma operating cash flow	109.4	116.9	127.5	132.5	164.7

Business magazine publishing 1979-83 growth and performance measures

Segment rank in communications industry in ( )

	11 company segments in sector			
Growth/performance measure	Revenues	Pretax operating income	Assets	Pro-forma operating cash flow
1979-83 compound annual growth	8.8% (7)	10.2% (4)	6.3% (7)	10.8% (5)
1983 growth	6.9% (8)	25.0% (4)	4.2% (9)	24.3% (5)
1983 operating margins		13.9% (5)		15.2% (5)
1983 margin index (1979=100)		105 (4)		107 (4)
1983 return on assets		30.8% (3)		33.7% (3)
1983 asset turnover			2.2 (2)	

Newspapers 1979-1983 segment operating data

($000,000)	1979	1980	1981	1982	1983
Revenues	$6,055.6	7,097.4	8,268.9	8,869.2	9,928.6
Pretax operating income	1,034.8	1,153.4	1,348.1	1,355.0	1,794.7
Assets	4,005.7	5,054.0	5,759.2	6,335.1	6,944.3
Pro-forma operating cash flow	1,192.0	1,348.5	1,582.1	1,633.0	2,115.2

Newspapers 1979-83 growth and performance measures

Segment rank in communications industry in ( )

	24 company segments in sector			
Growth/performance measure	Revenues	Pretax operating income	Assets	Pro-forma operating cash flow
1979-83 compound annual growth	13.2% (4)	14.8% (3)	14.7% (6)	15.4% (3)
1983 growth	11.9% (5)	32.5% (2)	9.6% (7)	29.5% (3)
1983 operating margins		18.1% (3)		21.3% (3)
1983 margin index (1979=100)		106.0 (3)		108.0 (3)
1983 return on assets		27.0% (4)		31.9% (4)
1983 asset turnover			1.5 (5)	

Source: VS&A

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Media carrot may need gilding

Agencies' low pay, lack of training deter many

By Anna Sobczynski

The media department is no longer the refuge for the timid, bespectacled numbers-cruncher. Clark Kent slipped into the phone booth several years ago and stayed there. Media Superfolk have been emerging since.

But according to leading agency media executives, there does not seem to be enough of the Superfolk type, despite the presence of young people clamoring to get in to agency media departments.

The rub is that young media aspirants are thwarted by a lack of effective training programs at agencies and by low salaries. Some of the cream is taken by media buying services and the burgeoning in-house corporate media departments, headhunters say.

And compounding the problem is a high turnover rate in media departments, note industry executives. They cite low pay and the client list as two reasons. Some accounts burn people out—"hectic accounts that operate very close to the deadline and those in which things are constantly changing," says Edward Weiner, senior vp-media director, Avrett, Free & Ginsberg, New York. Computers also have freed media people from certain automated functions, but they have lowered manpower needs.

There is no shortage of manpower available to media—at least at the front door. At the Chicago offices of D'Arcy MacManus Masius, between 50 and 75 resumes arrive in the morning mail each week. That translates into almost 4,000 inquiries a year. D'Arcy can take in only about two of these media aspirants, says Joseph P. Zeller, senior vp-media director.

Once these two media novices have been singled out to work for one of the top agencies in the country, they can expect to earn between $12,000 and $14,000 a year. "It's the lowest, poorest paying job in the entire world," Mr. Zeller says.

Compared with the entry-level salaries of other agency positions, "the poor media schlepp is at the low end of the totem pole. Those going into account work, for example, can make probably $4,000 more to start," says Mr. Zeller, who refers to this time as the "dues-paying period."

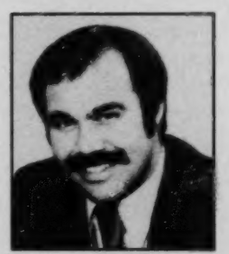
Leo Burnett USA likes to grow its own media talent, according to senior vp Willard G. Hadlock.

Those willing to accept that $12,000 for the next few years can anticipate generous salaries once they attain higher level positions. A second bright spot is the note of optimism voiced by Simmy Sussman, president of Sussman & Morris Associates, a New York-based marketing and advertising agency executive placement company. She says salaries have risen this year between 15% and 25%, including entry-level positions.

In 1979, the beginning assistant media planner was paid between $10,000 and $12,000 annually. This year, those at entry level can ask the moths in their wallet to make room for an additional $1,500 to $3,000, she says.

During that same five-year period, upper-level salaries have been going through the roof, according to Ms. Sussman. A senior vp-media director's annual salary almost doubled, from an upper limit in 1979 of $80,000 to more than $156,000 in 1984. It's worth waiting in the wings as an understudy if you're one of the "bright, shining stars" media directors look to light up their lives, Ms. Sussman says.

But it's difficult to attract stars at disposable lighter prices. Media stars have to compete with account managers and creative directors. "Advertising agencies put a very large emphasis on creative. That's what they win accounts on. So they pay a lot of money to creative people," says Charles T. Scimeca, chairman of Century Media Corp., a New York-based media service.



Terrific creative work needs good media planning, says Charles T. Scimeca, Century Media Corp.

Observers say the employe turnover rate also is higher in creative than in media, which adds to the disparity in salary. Still, Walter A. Staab, president of SFM Media Corp., a New York media buying service, says he is convinced that in terms of contribution, "creative people and account executives command a disproportionate share of the salary funds."

Mr. Scimeca says lack of foresight by agencies will catch up with them. "Because less money goes to the media department, the result is inferior planning and buying. So even if you have all this terrific creative, it doesn't follow through [to the marketplace]," he says. The low salary makes it difficult to attract the special people. Ms. Sussman is trying "to raise the salary level in order to raise the caliber of the candidates."

When Mr. Zeller looks for new media faces for D'Arcy, he's not looking just for a degree, though that's a requirement, and he's not looking just for prowess in the use of numbers, though that, too, is a factor. He's looking for those who are "antsy, cocky, aggressive. For those who did something other than just get a degree, whether they played lead guitar in a rock band, or were captain of the football or debate team. Something that says this person has a deeper dimension. People who have a super-high energy level."

The media person is at the low end of the totem pole, says Joseph P. Zeller, senior vp, D'Arcy.

The prospective D'Arcy candidate who passes the screening test heads for the interview. If it becomes apparent that the interviewee wants to get into account management courtesy of the media department, the candidate is pointed toward the exit door.

Those who are interested in pursuing media as a career find "that creative is not limited to the creative department, and that they can express themselves, generate ideas, and see those ideas become reality," Mr. Zeller says. Unlike the account management person who is usually saddled with one account, the media person often works with all the agency's clients.

There are those who escape even the most watchful media director's scrutiny and reveal that they've been account management devotees in disguise. But for those who do not have master's of business administration degrees, which generally are

(Continued on Page 32)

Anna Sobczynski has contributed stories in the past on media buying as a career.

Robust

(Continued from Page 26)

Pretax operating income increased nearly half again over the five years. In 1983, it surged 25% over 1982, substantially bettering the five-year compounded annual growth rate. The 1983 performance was the best of any in the period for this segment and a recovery from the 3.4% in 1982.

In 1983 pretax operating income margins, United Newspapers (Gralla), McGraw-Hill and Harcourt Brace Jovanovich led the business magazine segments of 11 companies comprising the VS&A business magazine sector with 22.7%, 17.1% and 14.8%, respectively.

Consumer magazines: Efficient asset users

Consumer magazine publishing is a communications industry standout for its efficient use of assets. But in other types of measures, the segment trails the industry norm.

Consumer magazines posted the highest 1983 operating income return on assets (38.9%) and the second highest cash flow return (43.3%), with the highest asset turnover of an industry segment—4.38 times in 1983. This performance is all the more impressive because the segment was one of two in the industry with both operating income and cash flow margins below 10%.

In both five-year and 1983 growth measures, however, the segment performed somewhat below the average of the communications industry. Its best performances came in operating margin increases in 1983 over 1979, on which it ranked fifth. Its best performance on other five-year, as well as 1983, growth measures was seventh.

Among the five ad-supported segments, consumer magazine publishing ranked first in the most efficient use of its assets. It stood in the top three in 1983 margin growth over 1979. It ranked near or at the bottom on the basis of other measures.

Consumer magazine publishers experienced 8.7% compounded annual revenue growth, 7.5% compounded annual income growth and a 4% decline in profit margins over the five years. The segment's pre-tax income margin in 1983 was 8.9% —down from 9.9% in 1982.

Consumer magazine publishers' revenues grew 10.1% during 1983, up from the previous year's 5% annual growth rate. The 1983 result was better than the compounded annual growth rate for the past five years. Pretax margins for 1983 were 8.9% —down from 9.9% in 1982.

In 1983 pretax operating income margins, TL Enterprises, Webb Co. and Times Mirror led the consumer magazine segments of 12 companies comprising the VS&A consumer magazine sector with 45.6%, 15.9% and 14.4%, respectively.

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VANCE PUBLISHING CORPORATION

Interconnects may be cable's link to ad growth

By Kevin Brown

When 3M turns on its new microwave interconnect on Long Island early in 1985, buying of local advertising on the area's cable systems will become less cumbersome and more like buying spot tv.

The new microwave interconnect, called Metropolitan Transmission Center, will link 17 local cable systems with more than 1 million subscribers. It also will provide direct insertion for spot cable advertising into four ad-supported networks, offer computerized billing and improved picture quality, and provide video recording of the first and last frame of each commercial.

Such so-called "hard" interconnects as the 3M system are helping advertisers eliminate the guesswork in buying cable by providing better ad verification procedures (through the frame recording), cutting the costs connected with dubbing commercials and offering entire markets as a one-buy, one-invoice option.

The $4 million interconnect system in New York replaces a "soft" interconnect in which the member cable systems had a contractual association through which a single commercial tape is dubbed 17 times and "bicycled" to the systems.

"We try to make cable as much like other media as we can for the advertiser," says Tom Sassos, vp-general manager of Cable Networks Inc., a subsidiary of 3M and a national rep company. CNI represents cable systems in 12 of the top 25 tv markets, giving it a market of 4.8 million subscribers reaching 13% of the total cable universe.

It is this type of coverage with just one buy and one tape that should help build spot cable into a stronger medium for national and regional advertisers.

The potential is big. In 1983, for example, spot cable buying of $50.4 million represented 18% of total cable spending of the four dominant networks monitored by Broadcast Advertiser's Reports. And in 1984, total spot spending should rise to $80 million, according to Paul Kagan Associates, cable industry consultants.

Currently, cable systems are pulling in only an estimated 1% of gross revenues from advertising, even though Mr. Sassos at CNI and system general managers say those numbers should be 3% to 5%. The formation of interconnects is seen by many as the means to make up that difference.

But the ad dollars in cable at this point are staying with the ad-supported networks. Part of the reason is that even interconnects are hamstrung by local factors. Channel capacity often is tied up by the number of local broadcast stations for which cable systems are required to reserve channels under the Federal Communications Commission's "must-carry" rule. National networks generally give a system two minutes for each hour of programing for local advertising.

The "hard" Bay Area Cable Interconnect, for example, is far from its ad dollar potential. Not all of the 37 systems in the interconnect carry all the major ad-supported networks available on the interconnect.

"There are as many as 22 must-carries," says Jack Yearwood, vp-general manager of the five-year-old interconnect, who says slightly more than 1% of the anticipated $300 million in spot tv spending in 1985 in the area of dominant influence will channel through the interconnect. "The interconnect intake should be 5%."

Too many reps can spoil the broth, according to Melissa Helms, ad and promotion manager for Prime Cable, part of the Atlanta Cable Advertising Network, a soft interconnect system. Prime is one of eight systems in the interconnect covering 117,300 subscribers.

"The advantage of having an interconnect lies in the use of a single rep firm. Too many rep firms selling ads leads to confusion and a devaluation of a market's ad time," she says.

If several reps are selling spot cable, and one is having trouble selling time, he might offer that time for less money, bringing down the price of spots in an entire market.

CNI is attempting to persuade the Atlanta "soft" system to go "hard." "But none of the systems want the other to own it," CNI's Mr. Sassos says.

Kevin Brown is an editorial assistant for Ad Age.

Franchises group to expand coverage

An interconnect is a group of cable franchises in one major market that join contractually to sell advertising.

Coverage depends on the number of subscribers and the individual system's ability to insert local advertising on national ad-supported cable networks, such as MTV: Music Television, Cable News Network and USA Cable Network. The equipment needed to insert ads costs between $25,000 and $50,000 for each network.

The networks allow an average of about two minutes an hour for local ad insertion. Systems divide that time between their interconnect, which provides national and regional spots sales, and their own sales force.

Some systems may keep as much as 75% of their ad time for local use.

The rest of the time is sold by national sales reps such as Cable Networks Inc. and Nationwide Cable Rep. In most interconnects, ads sold by national reps can be inserted on one or more of the cable systems.

Of the more than 40 operating interconnects, most use two kinds of ad distribution. The first, called "soft," involves copying tapes of commercials and sending them to systems within the interconnect. Commercials are inserted by systems at the same time in what is known as "simultaneous traffic."

"Hard" interconnects use computers through which the ads are microwaved or cabled to members and inserted directly onto national cable networks.

Although some interconnects use a combination of both soft and hard distribution—depending on the capabilities of member systems—more than 20 are hard. A few hard interconnects are separate corporate entities, owned by some or all of the member franchises, or by an outside company.

System owners and interconnect general managers say hard distribution is less expensive. In some soft interconnects, video dubbing, billing and distribution expenses may run more than $750,000 a year, according to one general manager.

Making the transition from soft to hard costs between $1 million and $5 million, depending on the number of systems in the interconnect and the number of cable networks on which ads will be inserted. —*K.B.*

Top 25 cable systems line up networks for local ads

Rank	System	Operator	Basic subscriptions	Ad-supported networks*																		Interconnect status	Total subscriber reach	No. of systems
				USA	MTV	ESPN	CNN	CNNHN	LIFE	NICK	ARTS	TNN	CBN	FNN	TWC	BET	SIN	SPN	MSNC	CM	LC	**			
1	San Diego, Cal.	Cox Cable	250,001 Nov. 1984	√	√	√	√	√	√	√	√	√	√	√								√	San Diego Interconnect-hard	375,000	2
2	Woodbury (Long Island), N.Y.	Cablevision Systems	235,000 Sept. 1984	√	√	√	√	√	√	√	√	●	√	√	√					●		√	N/A	N/A	N/A
3	San Antonio, Tex.	Rogers Cablesystems	200,000 Oct. 1984	√	√	√	√	●	●	●	●	●	●	●	●	●	●	●		●		√	N/A	N/A	N/A
4	Manhattan, N.Y.	ATC	188,000 Dec. 1983	√	√	√	√		√	√	√		√	√	√	√						√	Metropolitan Transmission Center-soft	1,000,000	13
5	Houston, Tex.	Warner Amex	185,000 Oct. 1984	√	√	√	√	●	√	●	●	●	√	●	√	●	●			●	●		Houston Qube Interconnect-hard	200,000	4
6	Orlando, Fla.	ATC	170,000 Dec. 1983	√	●	●	●		●	●	●	●	●		●		●						N/A	N/A	N/A
7	East Orange, N.J.	Maclean Hunter	169,000 Nov. 1984	√	√	√	√	●	●	●	●			●		●						√	Metropolitan Transmission Center-soft	1,000,000	13
8	Wayne, N.J.	UA Cablesystems	132,000 Oct. 1984	●	√	√	√		●	●	●	●	●	●		●		●				√	Metropolitan Transmission Center-soft	1,000,000	13
9	Cincinnati	Warner Amex	130,000 Nov. 1984	√	√	√	√	●	√	●	●	√	√	●	●	●		●	●	●	●	√	N/A	N/A	N/A
10	Englewood, Colo.	United Cable	120,000 Nov. 1984	√	√	√	√	√	√	√	√	√	/	√	√	√		√	●	√	●	√	Colorado Alliance for Cable Advertising-soft	179,000	6
10	Tulsa, Okla.	United Cable	120,000 Oct. 1984	√	√	√	√	√	√	√		√	√	√	√	√				√		√	N/A	N/A	N/A
12	Audubon, N.J.	NYT Cable	118,500 Nov. 1984	√	√	√	√		√	●		●	●	●									N/A	N/A	N/A
13	Atlanta, Ga.	Prime Cable	117,350 Sept. 1984	√	√	√	√	●	●	●	●	●	●		●	●		●	●		●		Atlanta Cable Advertising Network-soft/hard	185,000	8
14	Rochester, N.Y.	ATC	115,000 Nov. 1984	√	√	√	√	√	√	●	●	√	◑										N/A	N/A	N/A
15	Baltimore County, Md.	Comcast Cable	110,829 Nov. 1984	●	√	√	√		√	●	●	●										√	N/A	N/A	N/A
16	Tidewater (Norfolk), Va.	Cox Cable	108,000 Sept. 1984	√	√	√	√	●		●		√	●		√								Tidewater Cable Interconnect-soft	175,000	3
17	Erie County, N.Y.	International	106,000 Nov. 1984	√	√	√	√		√	√	√	√	●									√	N/A	N/A	N/A
18	San Jose, Cal.	Gill Industries	104,000 Oct. 1984	√	√	√	√		●			●	●								●		Bay Area Cable Interconnect-hard	574,000	37
19	Jacksonville, Fla.	Continental	100,000 Nov. 1984	√	√	√	√	√	●	●	●	●	√			●				◑			Coastline Communications-hard	110,000	2
20	Austin, Tex.	ATC	98,900 Dec. 1983	√	√	√	√	●	●	●		●		●	●		●	●		◑			N/A	N/A	N/A
21	Seattle, Wash.	Group W Cable	98,000 Sept. 1984	√	√	√	√			●	●	√											Northwest Cable Interconnect-soft	285,000	5
22	San Juan, P.R.	Harris Cable Corp.	97,582 Nov. 1984	●	●	●	●	●	●	●	●		●						●				N/A	N/A	N/A
23	Hauppauge, N.Y.	Viacom Cablevision	97,438 Oct. 1984		√	√	√	√	√	●				√	√							√	Suffolk County Interconnect-soft	145,000	3
24	Honolulu	ATC	97,100 Dec. 1983	√	√		√	√	√					√									N/A	N/A	N/A
25	Toledo, O.	Buckeye Cablevision	97,000 Nov. 1984		√	√	√		√	√			√									√	N/A	N/A	N/A

Source: Cablevision Advertising Bureau, Cable Networks Inc., Nationwide Cable Rep. and Advertising Age research.

*Ad-supported networks:
√ indicates that system inserts local advertising on network
● indicates that system carries network, but does not insert local ads
Note: some networks may be received only on upper tiers

**Carries other sports channels with local ad insertion, some through local interconnects

USA Cable Network (USA), MTV: Music Television (MTV), Entertainment Sports & Programming Network (ESPN), Cable News Network (CNN), CNN Headline News (CNNHN), Lifetime (LIFE), Nickelodeon (NICK), ARTS & Entertainment (ARTS), The Nashville Network (TNN), Christian Broadcasting Network (CBN), Financial News Network (FNN), The Weather Channel (TWC), Black Entertainment Television (BET), Spanish International Television Network (SIN), Satellite Program Network (SPN), Modern Satellite Network Channel (MSNC), Country Music (CM), Learning Channel (LC).

Deregulation may scramble time buying

By Maurine Christopher

The year ahead will be a time of wondering about and watching how the broadcast deregulatory picture in Washington will shape up and what the impact will be on the buyers and sellers of tv and cable time.

Waiting for the next act to unfold on raging controversies held over from this year are the proposed higher ceiling for tv station ownership and must-carry requirements for cable systems. Meanwhile, the Federal Communications Commission's sidetracked, tentative order to repeal the ban against network prime time co-production and domestic syndication languishes in bureaucratic limbo.

Revisions of the status quo on any one of these and lesser issues by the FCC eventually could trigger balance of power realignments that will affect the media buying community.

Generally, a second administration in the White House brings with it a shift in approach, a tightening of established policies or movement to different ones, and cast changes in the cabinet offices and at the regulatory bureaus.

The crucial figure to keep an eye on for media developments is Mark Fowler, the incumbent FCC chairman. He has been a vigorous quarterback and gung-ho cheerleader for deregulation in all areas of communications.

Will he push as hard to keep the "free market" momentum going in a second Reagan term, as he did in the first? Last year, the chairman was reined in by President Reagan after the FCC had voted to let the networks return to domestic program syndication. Later, Mr. Fowler was halted in his tracks by Congress after he and his fellow commissioners voted to raise the limit on tv station group ownership to 12 and to lift any limit by 1990.

Some industry kibitzers speculate about whether Mr. Fowler might follow a well-trodden path and leave his $71,100 government post for a bigger salary in the private sector in 1985. Others say "this good Reagan soldier" may be rewarded with a deputy cabinet post, though Mr. Fowler has told associates he plans to remain as chairman.

Even so, Washington sources already are theorizing about who might be most likely to take over as FCC chief if Mr. Fowler moves. Some FCC insiders would like to see Mimi Dawson, who has been on the commission for 2½ years. However, there is always the possibility that the White House may bring in a new face.

Regardless of who is in the chairman's office in 1985, these deregulatory controversies remain.

Revisions of the status quo by the FCC eventually could trigger balance of power realignments that will affect the media buying community.

Already the single company or individual ownership ceiling on radio stations has been increased from seven to 12 each for am and fm. Gannett Co., which had its full complement of seven am and fm units, jumped ahead of the field to buy KKBQ (am, fm) in Houston for $35 million, thereby becoming the first group owner to advance beyond the previous limit. But radio stations are so plentiful that larger groups will not change life noticeably for time buyers.

In contrast, expansion of tv ownership, especially if ABC, CBS and NBC were allowed to add more stations, could be devastating for sponsors and program suppliers, according to Jack Valenti, president of the Motion Picture Assn. of America, and Ted Turner, chairman of Turner Broadcasting System. Messrs. Valenti and Turner are two of the most spirited opponents of the proposal on the back burner to raise the single owner maximum for tv to 12.

So far, the advertising community has not voiced concern about the proposed limits for tv station ownership.

David Braun, media services director of General Foods and chairman of the Assn. of National Advertisers tv committee, doesn't expect the large station groups to raise any problems for sponsors if and when they are authorized by the FCC to purchase additional stations.

He and other advertisers say they believe bigger, stronger groups might be helpful for them and for tv in general. The groups would have improved resources for program development, and they would provide the facilities for ad hoc networks to help keep the Big 3's sponsor prices in line.

Rates are the name of the game. Traditionally, they are fought eyeball to eyeball almost continuously in the marketplace. Never has this been more evident than in 1984 because of the football free-for-all that followed the courts' dismantling of long-term network tv contracts with the National Collegiate Athletic Assn.

Unless ABC, CBS and NBC flouled the antitrust laws by trying to force tie-in sales for network and spot, an unlikely and impractical event that has rarely if ever happened, this scrapping over rates will continue to be the case even if single owner station lists are permitted to expand.

Further, odds are that the proposed 12-station rule, including a provision to remove all limits within six years, is dead. After several congressional committees acted to halt the implementation of the revised tv station ownership policy, the FCC issued a stay order until April 1 and promised to reconsider.

The staff is struggling through another huge stack of com-

Maurine Christopher is Advertising Age's roving editor and Videotech columnist.

Media budgeting needs creative touch

(Continued from Page 3)

tising productivity as creative and media strategies are improved.

Regardless of which approach budget planners prefer, there is a shortcoming in using any of these devices.

None takes into account the impact of advertising cost changes over time. Linked to this need for a longer term frame of reference is the need to apply the knowledge accumulated over past years about a given brand's response to varying spending levels.

Media price escalation has been more intense than the general consumer price index over the past 10 years, making a longer trend line more important in devising media budgets. Between 1975 and 1984, the consumer price index rose 88%. For that time period, network tv is up about 170%; network radio 185%; magazines have doubled, and newspapers have increased 125%.

Some recent experiences by this writer in working with clients to determine brand spending levels suggest that most ad executives have become numb to price increases, but they sometimes are surprised to see what it takes to buy the same media several years later.

Examining brand budgets over several years and matching them to long-term media cost movements will give the planner an indication of what the correct budget should be, and it will add a new frame of reference from which the adequacy of ad dollars can be tested.

How do we go about an exercise of this sort? The chart illustrates general price trends—all expressed on a current dollar basis (unadjusted for inflation)—for both out-of-pocket costs and estimated costs per thousand.

It takes a representative "market basket" of various popular buys in each of seven significant media categories for national advertisers and estimates price quotation trends using 1975 as a base of 100.

The 1984 figures shown are an index for each of the seven categories nine years later.

The entries factored in for 1984, however, are for the first six months.

The 1985 figure uses anticipated price increases for each category based on a recent poll of top agency media directors.

Naturally, individual media sales representatives or other analysts might have different figures based on other assumptions. Regardless of what each number might be, the general direction remains the same and should be helpful as an indicator.

Using these ballpark estimates—each of which demonstrates a more rapid price increase than for the whole economy—can lead to some dramatic points of comparison. Two examples:

Example A

Assume that in 1975, spending for a nonbroadcast brand was $1 million, half in consumer magazines and half in run-of-press newspapers.

By 1984, total media spending would have to have risen to $2.15 million simply to maintain the composition of the program.

If our estimate of rate increases for these two print categories for the coming year is used to approximate 1985 levels, the budget will have to rise to $2.31 million just to remain even.

Example B

A decade ago, it would have been reasonable to assume that a nationally distributed grocery package goods product heavily involved in broadcast would have been spending at about a $5 million level.

Assuming that half the dollars were spent in network tv and the other half split evenly between spot tv and network radio, the escalation over the next nine years is striking.

Spending totals in 1984 would have to rise to much more than $13.5 million to stay even with the unit cost increases over the nine years.

In estimating what it would take to hold cost increases steady for 1985, media funds would have to rise to more than $14.7 million.

Needless to say, astute media and marketing management can do many things beyond simply "hanging on for dear life" in meeting the insistent cost increases of important media.

Commercial time lengths, space unit size and color treatment can be modified to achieve greater efficiency.

Dayparts can be shuffled or magazine title choices can be rearranged in an attempt to stretch dollars.

Advertising weight can be concentrated more tightly in presumably more responsive areas to get back more sales response.

The fact remains that the cost of advertising—across all categories and in almost all forms—has gone up well beyond the consumer price index. It is essential that serious planners keep in mind the true extent of this erosion when trying to determine the adequacy of a budget.

One way is using the figures that accompany this article as a testing device. If a planner wants to be more specific to his own needs and media profile, he can change the base data or make refinements or adjustments.

Use of the cpm track rather

National advertising media
Price trend indexes by category
(1975 = 100)

	Out-of-pocket current dollars	CPM current dollars
Network tv		
1984*	270.0	275.0
1985*	297.0 (up 10%)	303.0
Spot tv		
1984	260.0	248.0
1985	281.0 (up 8%)	268.0
Network radio		
1984	285.0	263.0
1985	302.0 (up 6%)	279.0
Spot radio		
1984	213.0	190.0
1985	230.0 (up 8%)	205.0
Magazines		
1984	205.0	195.0
1985	221.0 (up 8%)	211.0
Newspapers		
1984	225.0	223.0
1985	241.0 (up 7%)	239.0
Outdoor		
1984	220.0	205.0
1985	238.0 (up 8%)	221.0

*1984 = Preliminary
1985 = Estimate

Source: Herb Zeltner

ments. Before the end of the year, the staff and the commissioners will be working quietly to evolve a compromise to mollify Congress and its powerful committee chairmen. As always, the FCC doesn't want Congress snatching the ball.

Some combination of a numerical and population percentage limit may be voted on early next year, assuming the revamp goes smoothly. Many people believe the population reach is more essential than the number of stations, especially for the more coveted vhf channels.

The Turner request for a retention of the current seven-station cap (five vhf and two uhf outlets) reminds the regulators that there are only 23 markets among the 100 largest that can boast four hometown vhf channels. Turner Broadcasting System executives argue this fact makes a fourth, broadcast tv network physically impossible.

Allowing the Big 3 to buy as many as 12 tv stations "would directly reduce the feasibility of such ad hoc networks by increasing the ability of the major networks to prevent the emergence of such a competitive threat and would increase the incentive of large group owners to *behave like the networks*," TBS executives say.

Formulas being discussed at the FCC include a 25% population reach nationally for a single group owner in the case of vhfs and 30% if some are uhfs. There is talk of raising the demarcation by another 2.5% for minority owners.

In and out of Congress, most people expect the limit for tv to be modernized somewhat in line with changes in the communications industry.

It is only fair, this theory holds, that broadcast groups get some relief because today they must compete with wired tv, videocassette machines and satellite-to-home delivery.

On the other hand, most observers say they believe that the current form of a new rule that will welcome the Big 3 back into domestic syndication and prime-time program partnerships is in a deep coma from which it will not recover, at least during the current administration, because of lack of support from the President.

Had that order not been stymied by President Reagan, Mr. Valenti and others, independent stations, which have been made hearty by popular offnetwork reruns, would have gone into decline, many independent general managers say. That, in turn, would have strengthened the network-owned stations and other affiliates in their bargaining with advertisers.

From the sponsors' vantage, the most significant controversy may be the "must-carry" rule. This regulation requires a neighborhood cable system to schedule virtually all local on-air channels with any appreciable reach in its coverage area, even though the channels may be a duplicate or a triplicate of ABC, CBS, NBC or public tv.

Cable operators and programmers find this unreasonable, unjust and a potential drain on the budget. They argue the public interest, necessity and convenience would be better served if the system could replace one of the ABC schedules with Cable News Network or one of the CBS schedules with USA Cable Network, for example.

However, if the must-carry rule were loosened to permit cable operators to elect not to carry all of a Big 3 network schedule in favor of samplings from the cable satellite, media buyers and planners would find life more stressful as they try to get the kind of coverage required by big marketers.

TBS has sued to force the FCC to put the must-carry issue on its calendar for rule-making consideration, but this is a slow process. The FCC shows no signs of giving it priority, although the commission is considering whether teletext and other services run during the vertical interval space should be accorded must-carry status along with the main tv station signal.

Media Outlook report coordinator: Craig Endicott.

Coming

Next week ADVERTISING AGE's Special Report will focus on Cable Television.

than out-of-pocket estimates might be preferred if weight maintenance, rather than dollars, is being watched.

The media research units of many agencies as well as the various media promotion organizations all can help with historical data and computations.

Regardless of which yardsticks are used, it seems more necessary than ever that planners acquaint their account people and client marketing executives with the true extent of media inflation when the subject turns to budgets.

After all, these figures suggest that the cost to marketers of advertising in national media forms has doubled or even tripled in some cases over the past nine years.

Obviously, if brands' advertising budgets have been edging up incrementally each year and not holding to this accelerated pace —as many have—marketers have been buying less media exposure than they perhaps thought.

Still, a budget increase is a budget increase—in real terms —after inflation adjustments are made.

A good practice might be to start advertising budget meetings with a reminder of how much less valuable the dollar has become—not only in the supermarket but in the media market.

These longer term trend figures should help in spotlighting the issue. They also should lend more realism to the debate about whether ad expenditures are too high, too low—or just right.

MESH

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